

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
JANUARY 8, 2021

Pursuant to Governor Lee's Executive Order 71, the Board of Public Utilities met at 12:30 p.m. electronically through teleconference. In light of COVID-19 and to help prevent its spread and in order to protect the health, safety and welfare of the public, there was not a physical location for this meeting. The meeting had live audio capability and a recording was made available at www.clevelandutilities.com immediately following the meeting.

The following were present through teleconference: Aubrey Ector, Chairman; Joe Cate, Vice Chairman; Eddie Cartwright, Cleveland Utilities Board; Councilman David May, Jr., Cleveland Utilities Board; Debbie Melton, Cleveland Utilities Board; Tim O. Henderson, President/CEO; John Corum, Administrative Services VP; Amy Ensley, Utility Board Secretary; Jimmy Isom, Electric VP; Craig Mullinax, Water & Wastewater VP; Marshall Stinnett, VP/CFO; Walt Vineyard, Executive VP; Brad Hunt, Safety Technician; Mark Lay, Wedgewood Accounting, PLLC; and Tim Rader.

Following the Pledge of Allegiance to the American Flag, Brad Hunt delivered the invocation.

APPROVAL OF MINUTES FROM DECEMBER 4, 2020

Debbie Melton made a motion to rescind her previous vote for the consent agenda on December 4, 2020, and correct the minutes to reflect the appropriate recording of her recusal. The motion was seconded by Eddie Cartwright, and the Board of Public Utilities voted unanimously to approve the minutes as corrected.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Renovation Projects Update

Renovations to both the lobby and water/wastewater operations areas are nearing completion. Robert Roberts, LLC, has done an incredible job on the projects, and the improvements look outstanding. The water & wastewater operations area has not been updated since it was purchased from the former Colloms Plumbing business years ago.

Wastewater Support Building Update

Cherokee Construction continues to move forward on this project despite the inclement weather.

MLK Holiday Closure

Cleveland Utilities will be closed Monday, January 18, to observe the Martin Luther King, Jr., holiday. The Call Center will be open and regular emergency/standby services will be maintained.

CONSENT AGENDA

On motion by Joe Cate and seconded by David May, Jr., the Utility Board voted unanimously to approve the following items from the Consent Agenda.

A. Approval of the following written Financial, Electric, and Water/Wastewater Division Reports:

FINANCIAL REPORT

- 1. Electric Division November 2020** - During November, the cost of purchased power as a percentage of retail sales was 71.3 percent and can be compared to the budgeted percentage of 76.1 percent for FY 2021. The results for November are electric sales revenue of \$7,006,795, which was offset by a purchased power expense of \$4,994,690. This resulted in an operating margin of \$2,012,105. This is compared to a budgeted margin of \$1,701,274. Operating expenses for November were \$1,805,228. This is compared to a budgeted

operating expense of \$1,848,653. These revenue numbers were driven by a customer base of 32,125. The net income for the month was \$366,607 and can be compared to a budgeted net income of \$1,033.

2. **Water Division November 2020** - For November, water sales revenue was \$1,386,838. This is compared to the budgeted amount of \$1,347,420. Other revenue sources contributed an additional \$139,197. These revenue numbers were driven by a customer base of 32,724. Operating expenses for the month were \$1,382,817. This is compared to the budgeted amount of \$1,356,848. The division recorded an operating income of \$143,218, which is compared to a budgeted operating income of \$118,825.
3. **Wastewater Division November 2020** - For November, wastewater treatment revenue was \$1,129,949. This is compared to the budgeted amount of \$1,096,201. Other revenue sources contributed an additional \$68,864 for the month. These revenue numbers were driven by a customer base of 19,659. Operating expenses for the month were \$1,054,775. This is compared to the budgeted amount of \$1,067,739. The division recorded an operating income of \$144,038, which is compared to a budgeted operating income of \$113,424.

ELECTRIC REPORT

1. An update was provided for the ongoing Cherokee Gateway Substation Project:
Steel Structure: The crews worked to install the aluminum bus on the structure during November. The bus work is expected to be completed by the end of January.
Underground Cable & Pole Risers: The needed material for the underground cable risers has arrived except for the line arrestors. CU engineering is working with Tyco to schedule a training class in January to install the terminators on the 69 kV cable. It is critical for the cable to be terminated correctly for long service life. As part of the cost of the terminators, Tyco will assist with the installation.
2. In reference to the Lang Street Substation upgrade, CU personnel are reviewing specifications for the power transformers, which will be bid in early 2021. Transformer delivery can range from six months to a year depending on demand. The grade work is anticipated to begin in the spring.
3. The new conductor for the Lang Street to District transmission line upgrade has been pulled and crews are presently tying in the conductors and installing jumpers & connections. This project is expected to be completed and the line energized by the end of December.
4. Engineering continued working with Blaine Construction on the future electric service to the new Cannon Automotive facility. In November, the switchgear location was finalized, and details for the conduit were discussed. Engineering issued a work order to install two utility poles on the property. The first pole will have a primary meter, and the second one will have an underground dip for the primary cable going to the switchgear. Installation of the poles will help the contractor with the conduit installation. It will be several months before the overhead/underground conductors and switchgear will be installed.
5. Construction has commenced for the new Harbor Freight on lot 4 at Graystan Square. The electric conduit for the development has been installed. CU crews installed the #1/0 underground primary. The transformer was sized to provide service to lots 4 and 9. Additionally, the transformer will be used for a temporary construction service for Harbor Freight.
In connection with Graystan Square, the city is widening a section of Mouse Creek Road near Paul Huff Parkway to add a turn lane. Engineering has been working with city engineering

officials concerning relocation of a utility pole and removal of down guy wires interfering with the project. A plan was formulated to replace the existing pole with a self-supporting one to eliminate the need for the down guys and slightly shift the position of the new pole. Due to the existing pole being several years old, the city will only be charged for the additional cost associated with the installation of the self-supporting pole and not for complete replacement. A work order was issued in November, and the pole is anticipated to be changed out in December.

6. To provide electric service to the new Taco Bell on Paul Huff Parkway near Target, engineering obtained an easement from the owner of the neighboring lot to run an underground electric line from the Electronics Express store to the Taco Bell property. Engineering released a work order to install the needed conduit, underground electric cable, and pad-mount transformer for the new restaurant. Crews began installing the conduit in November, but the underground cable and transformer will not be installed or needed for several weeks.
7. Engineering met with the site foreman for the new Wendy's on Stuart Road to discuss the electric service. Provisions will need to be put in place to serve any future businesses built to the north of the new restaurant along Hardwick Farms Parkway. Engineering is currently working with the contractor to determine the best solution for the electric conduit installation. Due to the low elevation of this lot compared to the Wendy's property near McGrady Drive, CU water and sewer required the developer to install a sewer lift station, which requires three-phase electric service. Engineering will be releasing a work order to install the transformers for the new lift station. The developer will be required to pay for the material and labor for installation of the transformers.
8. The Line Department implemented a crew change effective November 30. The manpower was manipulated to add an additional service crew currently working from the Harrison Building on Freewill Road. The addition of this service crew will hopefully lighten the load of the other service crew and handle smaller jobs not requiring an entire crew at this time. In addition, three members of the Meter Lab also began reporting to the Harrison Building on November 30. This change was made to further separate the crews during the COVID-19 pandemic.
9. The pole testing project began on November 16. The first section included circuits feeding out of the Appalachian, Chatata Creek and Burlington substations. Letters were sent with billing notices to all affected customers to notify of the upcoming work. During November, 588 poles were tested. 10 rejects were identified in this group, and 3 of the 10 were AT&T poles. Cleveland Utilities will make AT&T aware of their failing poles. CU is not treating the AT&T poles but is visually checking all that have CU attachments.
10. A report was presented for traffic lighting:
 - The Traffic Signal Coordinator attended two online training sessions hosted by the Tennessee Traffic Signal Users Group. The first was a basic traffic signal timing seminar and the second was for advanced signal timing.
 - The Traffic Signal Coordinator provided data and requested TDOT to consider a ramp widening project for Exit 27 northbound in December 2019. This project is currently being designed under a safety project, with the city only having to contribute 5 percent of the project cost and the state picking up the other 95 percent. The project will provide safer ramp queuing and provide timing benefits to help with traffic flow along Paul Huff Parkway.

WATER & WASTEWATER REPORT

1. The South Blower Building Motor Control Center (MCC) Replacement Project at the Wastewater Treatment Plant (WWTP) is complete. CU self-performed much of the work.
2. The HVAC improvements at the Cleveland Filter Plant (CFP) are complete except for a few small punch list items.
3. The painting project at the CFP is anticipated to be complete around the middle of February.
4. A project to replace the MCC drive for the raw water pump #1 at the CFP will begin in the near future. The contract amount for the equipment is \$215,497.
5. Hampton Backhoe Service (the subcontractor) has completed grading the access road and site for the Cherokee Gateway Boulevard Water Storage Tank. Stone has been placed on the road. The waterline has also been installed along the access road to the tank. Precon (the tank builder) is mobilizing and accepting materials as they arrive.
6. The easement acquisition is ongoing for the 2010/2012 Benton Pike/Durkee Road Annexation Project. 23 of the 33 easements have been acquired. The services of Cleveland Surveying have been terminated.
7. Hampton Backhoe has completed the sanitary sewer installation for the Veterans Home. The final contract amount of the project was \$73,701.
8. The bid opening for the Ocoee Coffeehouse sanitary sewer project is scheduled for January 13.
9. Hampton Backhoe has completed the Quail Ridge sewer main extension to the Anatole Pump Station in the final amount of \$8,503.
10. The Pleasant Grove Road sewer main extension is complete. The final project amount was \$20,390.
11. Engineering is reviewing plans for the following:
 - Canterbury Ridge Subdivision (Hearthstone Drive Extension) – the project comprises 6 lots, approximately 250 feet of 8-inch PVC gravity sewer and 175 feet of 6-inch PVC water main.
 - Eagle Creek Subdivision, Phase 4 – the project includes 50 lots, an estimated 2,461 feet of 8-inch PVC gravity sewer and 3,100 feet of 6-inch PVC water main.
12. The water and sewer main installations for the following developments under construction have been completed:
 - Graystan Square on Paul Huff Parkway & Mouse Creek Road (4 commercial lots). The contractors installed 850 feet of 8-inch water main and 840 feet of 8-inch sewer main. The developer is LeConte Cleveland, LLC.
 - Cobblestone Ridge on Old Chattanooga Pike. Hampton Backhoe installed 600 feet of 6-inch water main and 600 feet of 8-inch gravity sewer main. D&S Custom Homes, LLC is the developer.
13. An update was provided for the ongoing Wastewater Rehabilitation Project:
 - In reference to the Sycamore Drive and East Keith SSES Project, CCTV work continues and is anticipated to be complete this month.
 - The Basin 10A-8 Phase 2 punch list items have been completed, and the project has been closed out.
 - The contractor is scheduled to begin the Phase 3 Rehabilitation Project on January 11, 2021.

- The materials for the Candies Creek Force Main improvements are on order, and the contractor is scheduled to begin work in January.

14. The Meter Department set 29 meters through November 2020 compared to 28 for November 2019 and 23 for November 2018. Of the 29 sets, 23 were single family homes, 2 were irrigation and 4 were commercial.

15. The total amount of rainfall recorded at the CFP for 2020 was 79.25 inches, which is 21.95 inches above average. 2020 is now the wettest year on record for the Tennessee Valley.

- B.** Approval of a purchase order to Mosaic Corporation in the amount of \$96,274.00 for the DocStar Enterprise Content Management (ECM) solution combined with intelligent data capture (IDC). This product will streamline and organize the existing manual accounts payable (AP) & purchase order (PO) processes through automation technologies. Also, this product will build in additional operational and financial controls to further safeguard assets and assure a consistent application of Cleveland Utilities' purchasing policy. The purchase will include 50 GBs of cloud storage before any additional storage charges accrue. Henderson noted the accounting team has been evaluating various software packages for multiple years to find the right fit for the organization. Staff has also spent a lot of time reviewing and support the DocStar solution. Mosaic is the regional authorized vendor for this product.
- C.** Approval of a purchase order to Honeywell in the amount of \$66,116.96 for the annual software maintenance agreement (SMA) for the advanced metering infrastructure (AMI) system. This is a sole source purchase.
- D.** Approval of a purchase order to S&C Electric Company in the amount of \$91,437.00 for the purchase of a S&C 5-way switchgear. This switchgear will replace the existing spare unit slated to be installed at Cannon Automotive in the Spring Branch Industrial Park. The new switchgear will be the primary replacement for two critical locations on CU's electric system and will be available for emergency replacement or new installations. This item meets all CU specifications, and the purchase is sole source.
- E.** Approval of a purchase order to Dycho Chemical Company in the amount of \$143,766.00 for the annual supply of coagulant, DYPAC 5157 Poly-Aluminum Chloride, for the Cleveland Filter Plant. The purchase is sole source, and the chemical is budgeted for FY 2021.

OLD BUSINESS

Presentation of FY 2020 Audit Report by Mark Lay

Mark Lay, representing Wedgewood Accounting, PLLC, reviewed the Required Auditors' Communications in relation to the Fiscal Year 2020 audit report. He reported the financial statements present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Board of Public Utilities as of June 30, 2020 and 2019. Lay expressed appreciation to Stinnett and his staff for their cooperation and working diligently to provide the requested documents.

Both divisions experienced an increase in net position for the year. The increase in the Electric Division was \$6,553,223, and the Water and Wastewater Divisions was \$4,833,465.

The Other Post-Employment Benefits (OPEB) Trust grew by \$733,346 in FY 2020, largely from employer contributions made to the fund. The 2019 balance was \$1,089,222 and as of June 30, 2020, the balance was \$1,822,568. Lay commended CU for taking steps to fund this liability.

Henderson thanked Lay and his firm for the work they perform. Board members were advised to contact Lay if there are any questions. The acceptance of the audit report will be voted on at the next board meeting.

NEW BUSINESS

Sanitary Survey

Cleveland Utilities' Water System earned a perfect score on the Tennessee Department of Environment and Conservation (TDEC) Sanitary Survey, which reaffirms CU as an "approved" water system. This makes the fourth consecutive year CU has achieved a perfect score.

The sanitary survey is an evaluation and documentation of the water system's capabilities, operations, sources, facilities, treatment processes, equipment, distribution network, monitoring, reporting and data verification, pump facilities, controls and overall management needed to continually provide safe drinking water. It is extensive and comprises 599 possible points. This survey covered the period from December 2018 to October 2020.

"It always makes me so proud to report the hard work of all the team involved in making this possible for our water system," said Henderson. Achieving a perfect score is extremely difficult. This rating is a testament to the dedication, professionalism, and expertise of all the employees involved in this endeavor.

OTHER BUSINESS

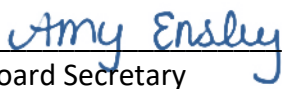
Future Board Meeting Dates


Future scheduled board meeting dates are as follows:

Friday, January 29, 12:30 p.m.

Friday, February 26, 12:30 p.m.

Friday, March 26, 12:30 p.m.


Board Secretary


Board Chairman

1-29-2021
Date